THIRD AVENUE
MANAGEMENT

THIRD AVENUE REAL ESTATE VALUE FUND UCITS

AS OF JUNE 30, 2020

PORTFOLIO MANAGER COMMENTARY

JASON WOLF, CFA | RYAN DOBRATZ, CFA

Dear Fellow Shareholders:

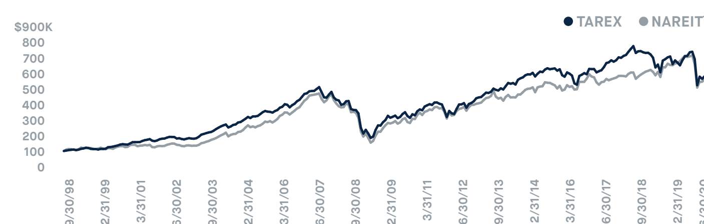
We are pleased to provide you with the Third Avenue Real Estate Value Fund UCITS (the "Fund") report for the period ended June 30, 2020. During the second quarter of the calendar year, the Fund generated a return of +10.40% (after fees) versus +10.33% (before fees) for the Fund's most relevant benchmark, the FTSE EPRA NAREIT Developed Index.[1]

In Fund Management's view, the performance during the period primarily related to price-to-value disparities narrowing from the extreme levels witnessed in the first quarter. Notwithstanding that, the securities held in the Fund continue to trade at historically-wide discounts to conservative estimates of Net-Asset Value (more than a 20% discount on average) while the issuers seem well-placed to withstand uncertain near-term economic conditions (the average net debt to asset ratio remains below 20%). Given this combination, Fund Management has added to its personal holdings in the Fund at the same time that some of the most prominent direct investors in real estate (i.e., Brookfield, Blackstone, Starwood, Norges, et al) have made substantial investments in publicly-traded real estate securities so far this year given the perceived disconnect between implied prices and long-term property values.

Recognizing that security prices can fluctuate from quarter-to-quarter, and that true value-oriented investments can oftentimes take years to materialize (please see the ensuing Wheelock discussion), Fund Management maintains the view that the Fund's long-term results are a superior gauge of performance. Since the Fund's inception in 1998, it has earned an annualized return of +7.94%. As highlighted in the chart below, this performance indicates that an initial investment of $100,000 in the Fund would have a market value in excess of $550,000 (assuming distributions had been reinvested), or more than the same $100,000 would be worth had it been placed into a passive fund tracking the Fund's most relevant benchmark (as well as the S&P 500).

VALUE OF $100,000 SINCE SEPTEMBER 1998[2]

As of June 30, 2020



This chart is a representation of the Third Avenue Real Estate Value Fund (Institutional Class) which is a U.S. registered mutual fund and represents the fund with the longest track record of the strategy. The track record has been adjusted to reflect the fees and expenses of the UCITS Fund class A4 (Institutional Class) shares through inception date March 31, 2009. The highest class A1 fees and expenses were deducted from performance for time periods prior to the UCITS Fund inception date.

ACTIVITY

In "Big Shifts Ahead: Demographic Clarity for Businesses," co-authors John Burns and Chase Porter carefully analyze demographic trends, assess societal shifts, and offer perspective on how these factors are likely to impact the US residential markets over the coming decade. While full of insight, the key takeaway as it relates to the Fund is that the largest single cohort in US history (the millennial generation born between 1982-2000 and comprising more than 84 million individuals) is in the early stages of entering into life events that drive demand for single-family housing (e.g., marriages, children, etc.). This "big shift" is anticipated to nearly double household formations relative to the previous decade—with nearly 80% of the growth expected in suburban markets, more than 70% of the expansion to be in the Sunbelt and California, with an increasing focus on single-family rentals relative to traditional ownership.

While the book was first published in 2016, more recent developments—such as changes to the US tax code (i.e., the removal of "SALT" deductions) and the desire for more space alongside "stay-at-home orders"—appear to have only expedited this shift. Very few companies seem better positioned to capitalize on this backdrop than **American Homes 4 Rent** ("AMH").

During the quarter, the Fund initiated a position in the common stock of AMH—a US based Real Estate Investment Trust ("REIT") that is the second largest owner of single-family homes for-rent ("SFR") in North America with more than 52,000 homes throughout the Sunbelt region that are more than 94.0% leased on average. In addition, the company controls one of the few SFR build-to-rent platforms of scale with land secured to accommodate an additional 6,000 homes, including 1,200 currently under development.

1 The FTSE EPRA/NAREIT Developed Real Estate Index was developed by the European Public Real Estate Associa on (EPRA), a common interest group aiming to promote, develop and represent the European public real estate sector, and the North American Association of Real Estate Investment Trusts (NAREIT), the representative voice of the US REIT industry. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the North American, European and Asian Real Estate markets. The Index is capitalization-weighted. **Please see Appendix for performance table and information.**

2 Hypothetical Investment since September 30, 1998 (Fund Inception Date September 17, 1998). **Past performance does not guarantee future performance results.**

AMH is a very well-capitalized issuer with a net debt to asset ratio of 25% and a fixed-charge coverage ratio in excess of 4.5 times. The company also retains substantial free cash flow despite its REIT tax status (which requires 90% of net income to be distributed via dividends annually) given legacy net operating losses. As a result, the company seems poised to self-finance the expansion of its portfolio through its unique build-to-rent initiative (which would likely ramp up considerably to the extent that anticipated reform at Fannie Mae and Freddie Mac increases the cost of conforming loans). Further, the very-much aligned control group (with strong ties to the self-storage industry) likely recognizes the opportunity to monetize the company's scale in a capital-light manner by undertaking property management for third-parties and securing a future pipeline of acquisition opportunities in the process.

The two other new positions established during the period related to a holding that has been a core position in the Fund for nearly a decade and a half. First purchased in 2006, **Wheelock & Co.** ("Wheelock") is a Hong Kong-based holding company with three primary investments: (i) a 69.3% stake in **Wharf, Inc.**, a separately-listed Hong Kong-based real estate operating company with substantial investment properties and development projects in Hong Kong and Mainland China; (ii) a 65.0% stake in **Wharf REIC**, a separately-listed Hong Kong based real estate operating company that controls two of the most productive mixed-use destinations globally through its ownership of Harbour City and Times Square in Hong Kong; and (iii) a wholly-owned development business focused on Hong Kong with a land bank that can accommodate more than 6 million square feet of additional development.

While the composition of Wheelock's asset base has evolved over the past 15 years, the investment thesis for holding its common stock has not. To wit, Wheelock has long represented a prototypical modern-value investment as the company has a super-strong financial position (the net debt to asset ratio is below 10%), the enterprise has been very efficiently managed by a control group that is largely aligned with outside passive minority investors (the Woo family owns 41% of Wheelock common stock), and the shares have consistently traded at material discounts to conservative estimates of Net-Asset Value ("NAV") despite the company engaging in various wealth creation strategies and compounding NAV over time.

When incredibly high-quality assets trade at such significant discounts for sustained periods of time, responsible control groups take action—which ultimately proved to be the case with Wheelock. During the second quarter, shareholders (including the Fund) voted to approve a proposed transaction whereby Wheelock shareholders will receive one share in each of Wharf, Inc. and Wharf REIC for every Wheelock share held. In addition, the Woo family will privatize the wholly-owned development business for $12 HKD per share, which will be paid to Wheelock shareholders as a special distribution.

In Fund Management's view, this deal is a "win-win-win" for this investment as the transaction serves to surface value by eliminating the "holding company discount", presents an opportunity to participate in the potential re-rating of Wharf and Wharf REIC as more-focused standalone businesses with prevailing prices at less than half of stated book value, and provides the Fund with additional cash resources for future investments. All-in-all, the Fund's investment in Wheelock common generated a +14% annualized IRR over its 14-plus year holding period or more than a 6 times multiple on its invested capital. The transaction also solidifies Fund Management's long-held (and very-much contrarian) view that there remains a substantial amount of value to be unlocked as family-controlled businesses in Hong Kong continue to modernize their corporate structures, enhance capital allocation policies, and participate in the economic benefits of the special administrative region further integrating into the Greater Bay area of mainland China.

Outside of these new additions, the Fund's activity primarily related to capital recycling efforts. During the period, the Fund reduced its exposure to the common stock of **Public Storage, Inc.**, **Amerco, Inc.** ("U-Haul") and **Lennar Corp.** (but not the company's class B shares—which are a larger holding in the Fund and inexplicably trade at more than a 20% discount to the class A shares despite equal economics). The proceeds from these reductions were primarily used to fund the investment in AMH, as well as increase the Fund's position in the common stock of **St. Modwen Properties plc**—a UK based real estate operating company that seems ripe for resource conversion given its discounted valuation and disparate business lines.

POSITIONING

After incorporating the aforementioned activity, the Fund ended the quarter with approximately 46% of its capital invested in **Commercial Real Estate** enterprises that are involved in long-term wealth creation. These holdings are largely capitalizing on secular trends within property as well as the further densification of key urban corridors and primarily include: CK Asset Holdings, Prologis, JBG Smith Properties, Derwent London, Segro plc, Wharf Inc., Wharf REIC, Vornado Realty Trust, Henderson Land, Public Storage and Big Yellow. Each of these enterprises is very well-capitalized, their securities trade at discounts to our estimates of NAV, and they seem capable of increasing NAV--primarily through further appreciation in the value of the underlying assets, by undertaking additional development and redevelopment activities, as well as making opportunistic acquisitions.

The Fund also has 38% of its capital invested in **Residential Real Estate** companies with strong ties to the US and UK residential markets, where there are significant supply deficits after years of under-building. In conjunction with low inventory levels, there is likely to be substantial demand for new product at an affordable price point over time (both for-sale and for-rent). Therefore, these holdings seem poised to benefit from an eventual recovery in residential construction, sales, and ancillary activities. These positions include a diversified set of businesses including homebuilding (Lennar Group and Berkeley Group), timberland ownership and management (Weyerhaeuser and Rayonier), land development (Five Point Holdings and St. Modwen Properties), the ownership and development of rental properties (Essex Properties, Grainger plc, and American Homes 4 Rent), and other ancillary businesses (Lowe's and Amerco).

An additional 12% of the Fund's capital is invested in **Real Estate Services**. These businesses are generally less capital intensive

than direct property ownership and as a result have historically offered much higher returns on capital--provided the business has a favorable competitive positioning within the real estate value chain. At the present time, these holdings primarily include franchises involved with asset management (Brookfield Asset Management and Patrizia Immobilien), brokerage and property management (Savills plc and CBRE Group) and title insurance (FNF Group).

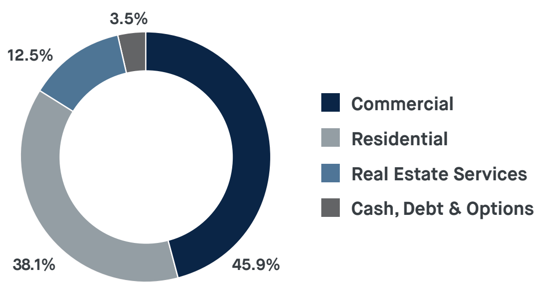
The remaining 4% of the Fund's capital is in **Cash & Debt Securities** (e.g., Intu Convertible Notes). The Fund also has certain hedges in place, primarily relating to its foreign currency exposures (British Pound and Hong Kong Dollar).

The Fund's allocations across these various business types are outlined in the chart below. In addition, Fund Management reports the Fund's exposure by **geography** (North America, Europe, and Asia-Pacific) and **strategy** (Core/Core-Plus, Value-Added, Opportunistic, and Debt) for comparison with institutional reporting standards for direct real estate allocations.

ASSET ALLOCATION AS OF JUNE 30, 2020

(allocations subject to change)

BY BUSINESS TYPE



BY GEOGRAPHY

BY STRATEGY

FUND COMMENTARY

In the Fund's previous shareholder letter, four trends within the real estate space were noted as ones likely to accelerate amidst the Covid-19 pandemic: (i) an increased emphasis on credit-worthy enterprises, (ii) a further bifurcation between property types, (iii) lower cap rates (i.e., initial yields) for assets that generate predictable cash flows, and (iv) a greater emphasis on one's residence. Another trend that will undoubtedly have a substantial impact on the property markets (and listed real estate securities) moving ahead is an increasing focus on Environmental, Social, and Governance ("ESG") Standards.

Third Avenue has long championed enterprises with sound business practices run by aligned control groups that exhibit strong stewardship. Within Third Avenue's real estate strategy, this oftentimes leads the Fund to "pass" on investments in companies with uncertain environmental liabilities, business models that could be deemed predatory, and corporate governance structures that are stacked against key stakeholders. Consequently, the select-set of real estate and real estate-related business that make it into the Third Avenue Real Estate Value Fund UCITS represent some of the true industry leaders in respect to their ESG practices, including:

- **Lennar Corp.** (a leading US homebuilder), which is one of the largest installers of solar panels in North America with more than 8,500 deliveries last year, as well as one of the largest purchasers of efficient Energystar® appliances.
- **Prologis** (the leading owner of modern distribution facilities globally), which has installed more than 200 megawatts (MW) of solar capacity and achieved carbon neutrality alongside other initiatives.
- **Brookfield Asset Management** (a leading alternative asset manager), which controls one of the largest privately-held portfolios of renewable energy assets globally with more than 19,000 MW of hydroelectric, wind, and solar capacity.
- **Five Point Holdings** (the largest developer in coastal California), which is developing Valencia (a 15,000-acre development site in Los Angeles County) as the first net-zero carbon master planned community serving as a template for future projects not only in California but nationwide.
- **Vornado Realty Trust** (a New York City-centric owner of office properties) that has more than 26 million square feet of LEED-certified properties (Leadership in Energy and Environmental Design) and is a 10-time recipient of NAREIT's "Leader in the Light Award."
- **Berkeley Group** (the leading homebuilder in London), which has won accolades for its Sustainable and Environmental planning, as well as being recognized as the first UK builder to achieve carbon neutrality.
- **Weyerhaeuser & Rayonier** (both US timber REITs), that collectively own more than 16 million acres of timberlands and sequester more carbon than any other privately-held enterprises globally (to our knowledge)—an underappreciated attribute that may ultimately have incremental value through a carbon-credit initiative or even strategic value for larger enterprises seeking to offset emissions.

Notably, this sustainability focus appears to have been left out of the biggest debate amongst real estate professionals today: the future of office buildings. This may prove shortsighted for those not "in the weeds" as (i) the construction and operation of buildings are estimated to account for nearly 40% of carbon emissions annually--or twice as much as the transportation industry and (ii) there are early signs of punitive measures forthcoming with plans to place taxes on inefficient buildings in major markets (such as Title 24 in California and Local Law 97 in New York City) thus increasing occupancy costs.

Fund Management recognizes that recent "work-from-home" initiatives are likely to lead to structural shifts in working patterns and an increased focus on flexibility. On the other hand, certain industry surveys indicate that nearly 75% of tenants anticipate maintaining similar-sized footprints (or even expanding) to achieve more balanced density within their workplaces as the amount of office space per employee had declined by nearly 40% over the past decade. For these reasons, and a number of others (e.g., efficient collaboration, training and development, work-life balance, et al) it seems likely in our view that: (i) offices will remain critical infrastructure for the vast majority of organizations and (ii) the fundamental performance of most office markets will mirror previous contractions with a "flight to quality"—leaving the owners of well-located, well-amenitized properties less impacted. The additional caveat in this cycle, however, is that office buildings that are LEED certified with ample elevator capacity and modernized air-flow systems will exhibit even greater appeal.

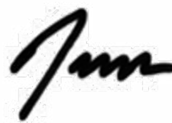
Within that context, Fund Management remains incredibly constructive on the Third Avenue Real Estate Value Fund UCITS' investments in the common stocks of three office-centric enterprises which comprise 12% of the Fund's invested capital: JBG Smith Properties, Derwent London, and Vornado Realty Trust. Not only do these businesses own highly-leased and cash generative office portfolios (95.6% leased on a term of 6.7 years on average) with industry-leading environmental ratings (more than two-thirds of the office properties are LEED certified), but they also control portfolios of scale in sub-markets which are benefitting from enormous infrastructure investment (e.g., National Landing in the DC region, Crossrail in central London, and Penn Station in West Manhattan).

While office can undoubtedly be a challenging property type (given the heavy capital expenditure burdens and competitive pressure of new supply), those well-versed in the office space recognize that owning desirable assets in strong sub-markets at prices that represent significant discounts to replacement costs is an approach that can lead to substantial value creation over time. Similar to a number of the Fund's past office investments (e.g., Canary Wharf, Thomas Properties, Songbird Estates, Parkway Properties, Inmobiliaria Colonial, Dexus Propery Group, et al), it is our view that such a formula is in place for its current office investments while also solving for an increasingly important variable: sustainability.

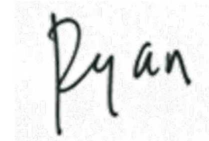
We thank you for your continued support and look forward to writing to you again next quarter. In the interim, please don't hesitate to contact us with any questions, comments, or ideas at realestate@thirdave.com.

Sincerely,

The Third Avenue Real Estate Team



Jason Wolf, CFA



Ryan Dobratz, CFA

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Date of first use of portfolio manager commentary: July 17, 2020

THIRD AVENUE REAL ESTATE VALUE FUND UCITS

AS OF JUNE 30, 2020

FUND PERFORMANCE

As of June 30, 2020

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Avenue Real Estate Value Fund Class A1 (USD)	10.40%	-21.17%	-15.74%	-6.12%	-2.08%	4.99%	7.94%	3/31/2009
Third Avenue Real Estate Value Fund Class A4 (USD)	10.54%	-20.98%	-15.31%	-5.65%	-1.59%	N/A	5.76%	11/29/2011
Third Avenue Real Estate Value Fund Class A5 (EUR)	9.67%	-22.85%	-18.50%	-8.62%	-4.18%	N/A	-4.19%	7/2/2015

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAREXU
Wheelock & Co. Ltd.	7.1%
Brookfield Asset Management, Inc.	6.9%
Lennar Corp.	6.6%
CK Asset Holdings, Ltd.	6.3%
Five Point Holdings, LLC, Class A	5.3%
Prologis, Inc.	5.0%
Berkeley Group Holdings PLC	4.9%
JBG Smith Properties	4.9%
Segro PLC	4.6%
Rayonier, Inc.	4.3%
Total	**55.9%**

Fund Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets. Factors that could affect the value of the Fund's holdings include the following: overbuilding and increased competition, increases in property taxes and operating expenses, declines in the value of real estate, lack of availability of equity and debt financing to refinance maturing debt, vacancies due to economic conditions and tenant bankruptcies, losses due to costs resulting from environmental contamination and its related clean-up, changes in interest rates, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighborhood values, and functional obsolescence and appeal of properties to tenants. For a full disclosure of principal investment risks, please refer to the Fund's Prospectus and key investor information document.

ALL DOCUMENTATION INCLUDING THE PROSPECTUS AND RELEVANT KIID(S) CAN BE FOUND ON WWW.GEMINICAPITAL.IE

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Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

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The Third Avenue Real Estate Value Fund is a sub- fund of GemCap Investment Funds (Ireland) plc, an umbrella type open-ended investment company with variable capital, incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between sub-funds.

THIRD AVENUE
MANAGEMENT

THIRD AVENUE REAL ESTATE VALUE FUND UCITS

AS OF JUNE 30, 2020

The Company is authorised in Ireland by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) (the "UCITS Regulations"), as amended.

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GemCap UK Limited provides distribution oversight services to GemCap acting as global distributor and is responsible for the oversight of all distribution arrangements for the sub-fund.

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